

Internal Revenue Service  
Director, Exempt Organizations  
Rulings and Agreements

Department of the Treasury  
P.O. Box 2508 - Room  
Cincinnati, Ohio 45201

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Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

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UIL 4945.04-04

#### LEGEND

B= Name of Foundation  
C= Name of Scholarship Program  
D= Name of Associate/Partnership Schools  
E= Name of Organization  
x= Dollar Amount  
y= Dollar Amount

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated March 21, 2008.

Our records indicate that B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will operate a grant-making program called C to further the educational opportunities of students to attend an educational institution that meets the requirements of section 170(b)(1)(A)(ii).

The program will initially award scholarships to pay for tuition in the amount of x, annually for a total amount of y per student over the course of up to five years of college undergraduate study. In the future, the amounts of the scholarships may be increased to the extent educational costs rise. These "stipends" will be paid to E (a public charity under section 501(c)(3) of the Code, which in turn will pay the scholarship awards directly to each educational institution that a recipient will attend. Scholarship recipients may receive funding for up to five years of their college career if they comply with the program requirements and expectations.

In order to be eligible for the award, candidates must meet the following five conditions:

- (1) He or she must be a U.S. citizen
- (2) Must be a graduating high school senior in good standing at D, or a former high school graduate or currently enrolled college student at a D.
- (3) Have successfully completed a minimum of three courses administered by E in high school with a minimum grade point average of 3.0 in the coursework and achieved an overall minimum grade point average of 3.0 in all high school studies.
- (4) Each recipient must have been accepted into an engineering program or track at an accredited college or university with a declared major in one of the following disciplines: Aerospace Engineering; Computer Engineering/Computer Science or equivalent; Electrical Engineering; Mechanical Engineering; Nuclear Engineering; or Systems Engineering with possible additional engineering disciplines to be added in the future.

The selection committee consists of employees/officers of E who will aid in administering this program. None of the individuals on the selection committee are associated with B or the corporation that is affiliated with B. If such a relationship exists, the individual will not be involved in the selection process. No member of the selection committee, officers of B, or any officers of the affiliated corporation will derive any private benefit, either directly or indirectly, with respect to any grantee.

The selection of recipients is made by the committee members based on an objective and nondiscriminatory basis, which will consider the following: (1) overall academic performance, (2) performance in courses administered by E, (3) letters of recommendation, (4) an applicant essay, and (5) demonstrated citizenship.

B or E agrees to maintain records regarding recipients of funds to include: (i) the information used to evaluate the qualifications of grantees; (ii) identification of the grantees, the amount of each grant; (iii) the completed application of each grantee and (iv) all progress reports and other follow-up data obtained in administering the grant program.

If the Foundation learns that any of the scholarship funds it has awarded are being diverted from the intended purposes, it will take all reasonable and appropriate steps to recover the funds and/or to ensure restoration of the diverted funds to the purposes of the scholarship. This would include legal action if deemed appropriate under the circumstances.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory

basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b) (1) (A) (ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c) (1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that effective December 5, 2007, your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d) (3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c) (2) (B) of the Code.

The approval of your award program procedures constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g) (3) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements